

**VILLAGE OF LEONARD**  
**OAKLAND COUNTY, MICHIGAN**  
**FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2008**

VILLAGE OF LEONARD

TABLE OF CONTENTS

Description	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 6
BASIC FINANCIAL STATEMENTS:	
Government-Wide Statement of Net Assets	7
Government-Wide Statement of Activities	8
Balance Sheet -- Governmental Fund	9
Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Assets	10
Statement of Revenues, Expenditures, and Changes in Fund Balance -- Governmental Fund	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	12
Notes to Financial Statements	13 - 22
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule -- General Fund	23
General Fund Expenditures By Detailed Account -- Compared to Budget	24 - 25
Budgetary Comparison Schedule -- Major Street Fund	26
Major Street Fund Expenditures By Detailed Account -- Compared to Budget	27
Budgetary Comparison Schedule -- Local Street Fund	28 - 29
Other Supporting information:	
Combining Balance Sheet -- Special Revenue Funds	30
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance -- Special Revenue Funds	31



## MICHAEL H. DeVRIES

CERTIFIED PUBLIC ACCOUNTANT

837 S. Lapeer Rd., Suite 206

Oxford, Michigan 48371

Telephone 248.628.9200

Fax 248.628.6107

### INDEPENDENT AUDITOR'S REPORT

To the Village Council  
Village of Leonard  
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Leonard (the "Village"), Oakland County, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village, Oakland County, Michigan, as of February 29, 2008, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Board has implemented a new reporting model, as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

The Management's Discussion and Analysis and budgetary comparison information listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The additional information on pages 30-31 is

MEMBER

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

To the Village Council  
Village of Leonard  
Page 2

presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

A handwritten signature in cursive script that reads "Michael H. DeVries".

Michael H. DeVries  
Certified Public Accountant

Oxford, Michigan  
February 6, 2009

# VILLAGE OF LEONARD

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Village's Management Discussion and Analysis has been prepared to provide an overview of the Village's financial activities for the fiscal year ended February 29, 2008. This discussion and analysis needs to be read and reviewed concurrently with the Village's financial statements.

This Management Discussion and Analysis includes comparative data from fiscal year 2006, in order to remain compliant with the Government Accounting Standards Board Statement No. 34.

### The Village of Leonard as a Whole

The following tables show the condensed Statements of Net Assets and Activities for the years ended February 29, 2008 and February 28, 2006.

Table 1  
Statement of Net Assets

	2/29/2008	2/28/2006
<b>Assets</b>		
Current Assets	\$ 185,525	\$ 135,359
Capital Assets - Net	<u>108,055</u>	<u>122,541</u>
Total Assets	\$ 293,580	\$ 257,900
<b>Liabilities</b>		
Current Liabilities	\$ <u>51,214</u>	\$ <u>57,247</u>
<b>Net Assets</b>		
Invested in Capital Assets	\$ 108,055	\$ 122,541
Restricted	10,492	3,102
Unrestricted	<u>123,819</u>	<u>75,010</u>
Total Net Assets	\$ <u>242,366</u>	\$ <u>200,653</u>
Total Liabilities and Net Assets	\$ 293,580	\$ 257,900

Table 2  
Changes in Net Assets

	2/29/2008	2/28/2006
Revenue		
Property Taxes	\$ 94,053	\$ 75,466
State Revenue Sharing	63,280	64,176
Community Development Block Grant	4,980	4,580
Interest Income	5,337	2,412
Charges for Services	4,902	16,297
Rental	17,403	27,637
Miscellaneous	237	2,208
Total Revenue	\$ 190,192	\$ 192,776
Expenses	\$ 160,936	\$ 184,614
Change in Net Assets	\$ 29,256	\$ 8,162

### **FINANCIAL HIGHLIGHTS**

Our financial status has improved over the last two years. Net assets at February 29, 2008 totalled \$242,366 for governmental activities.

Overall revenues were \$190,192 from governmental activities. Governmental activities had an increase in net assets of \$41,713.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of three parts: Management's Discussion and Analysis; the basic financial statements; and the required supplementary information. The basic financial statements include two different kinds of statements that represent different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long- and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The Notes to Financial Statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

## **ENTITY-WIDE FINANCIAL STATEMENTS**

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Village's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time, increases/decreases in the entity's net assets are indicators of whether financial position is improving or deteriorating.

To assess the overall health of the entity, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

All of the activities of the Village are reported as governmental activities. These include the General Fund, the Major Street Fund, and the Local Street Fund.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds, not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental Funds: All of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, Major Street Fund, and Local Street Fund.

## **FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

The General Fund pays for most of the Village's governmental services. The most significant is General Service Administration, which incurred expenses of \$55,540.

## **CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

At the end of February, the Village had \$108,055 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, and land.

The Village's governmental activities invested \$4,950 in capital assets.

The Village's governmental activities had no long-term debt activity.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Village amended the budget to take into account events during the year. Village departments overall stayed below budget, resulting in total expenditures of \$25,291 below the amended budget. This, coupled with increased revenue from property taxes, state-shared revenue, and rental income, allowed the General Fund's balance to increase by \$45,921 instead of decreasing by the \$8,900 that was appropriated in the amended budget.

### **KNOWN FACTORS AFFECTING FUTURE OPERATIONS**

The future of state revenue sharing is uncertain at this time and represents a significant portion of the Village's income. We continue to grow in taxable values, with a growing demand for municipal services.

### **CONTACTING THE VILLAGE'S MANAGEMENT**

This financial report is intended to provide the Village's taxpayers, creditors, and investors with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenue it receives. If you have any questions concerning this report, please contact the Village's Office at 23 East Elmwood, Leonard, Michigan 48367.



VILLAGE OF LEONARD  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
FEBRUARY 29, 2008

---

**ASSETS**

**Current Assets:**

Checking - Cash in Bank	\$ 125,642
Accounts Receivable	-
Taxes Receivable	7,716
Due from State of Michigan	3,767
Due from Major Street Fund	26,989
Due from Local Street Fund	16,431
Due from County	4,980
<b>Total Current Assets</b>	<u>185,525</u>

**Capital Assets:**

Buildings and Improvements	130,678
Equipment	84,763
Land	19,996
Office Equipment	7,436
Less Accumulated Depreciation	(134,818)
<b>Total Capital Assets, Net of Depreciation</b>	<u>108,055</u>
<b>Total Assets</b>	<u><u>\$ 293,580</u></u>

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accounts Payable	\$ 2,184
Inspectors and Bonds Payable	4,586
Deferred Revenue	412
Due to General Fund	31,920
Due to Local Street Fund	11,500
Payroll Taxes Payable	612
<b>Total Current Liabilities</b>	<u>51,214</u>

**Net Assets:**

Invested in Capital Assets - Net	108,055
Restricted	
Major Street Fund	7,915
Local Street Fund	2,577
Unrestricted	123,819
<b>Total Net Assets</b>	<u>242,366</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 293,580</u></u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF LEONARD**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

		Program Revenues		Governmental Activities
	Expenses	Charges for Services	Grants and Other	Net (Expense) Revenue & Changes in Net Assets
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities:				
Legislative	\$ 1,890	\$ -	\$ -	\$ (1,890)
Executive	2,850	-	-	(2,850)
General Service Administration	55,751	-	4,880	(50,871)
Protective Inspections	4,971	4,902	-	(69)
Sanitation	17,940	-	-	(17,940)
Buildings and Grounds	34,462	-	-	(34,462)
Highways and Streets	42,548	-	-	(42,548)
Capital Outlay	524	-	-	(524)
Total Governmental Activities	<u>\$ 160,936</u>	<u>\$ 4,902</u>	<u>\$ 4,880</u>	(151,154)
General Revenues:				
Property Taxes				94,053
State Revenue Sharing				63,280
Rental				17,403
Interest				5,337
Miscellaneous				237
Total General Revenues				<u>180,310</u>
Change in Net Assets				29,256
Net Assets, Beginning of Year (Unaudited)				<u>213,110</u>
Net Assets, End of Year				<u>\$ 242,366</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF LEONARD**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**FEBRUARY 29, 2008**

	General	Major Street	Local Street	Total
<b>ASSETS</b>				
Cash in Bank	\$ 86,189	\$ 32,573	\$ 6,880	\$ 125,642
Due from State of Michigan	-	3,098	669	3,767
Accounts Receivable	-	-	-	-
Taxes Receivable	7,716	-	-	7,716
Due from Major Street Fund	15,489	-	11,500	26,989
Due from Local Street Fund	16,431	-	-	16,431
Due from County	4,980	-	-	4,980
<b>Total Assets</b>	<u>\$ 130,805</u>	<u>\$ 35,671</u>	<u>\$ 19,049</u>	<u>\$ 185,525</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 1,376	\$ 767	\$ 41	\$ 2,184
Inspectors and Bonds Payable	4,586	-	-	4,586
Deferred Revenue	412	-	-	412
Payroll Taxes Payable	612	-	-	612
Due to General Fund	-	15,489	16,431	31,920
Due to Local Street Fund	-	11,500	-	11,500
<b>Total Liabilities</b>	<u>6,986</u>	<u>27,756</u>	<u>16,472</u>	<u>51,214</u>
<b>Fund Balances:</b>				
Unreserved:				
Restricted	-	7,915	2,577	10,492
Undesignated	123,819	-	-	123,819
<b>Total Fund Balances</b>	<u>123,819</u>	<u>7,915</u>	<u>2,577</u>	<u>134,311</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 130,805</u>	<u>\$ 35,671</u>	<u>\$ 19,049</u>	<u>\$ 185,525</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF LEONARD**  
**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND**  
**TO THE STATEMENT OF NET ASSETS**  
**FEBRUARY 29, 2008**

---

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 134,311

Amounts reported for governmental activities  
in the Statement of Net Assets are different because -

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in  
the governmental funds balance sheet:

Capital assets at cost	\$ 242,873	
Accumulated depreciation	<u>(134,818)</u>	
		<u>108,055</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 242,366

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF LEONARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

	General	Major Street	Local Street	Total
<b>REVENUES:</b>				
Property Taxes	\$ 94,053	\$ -	\$ -	\$ 94,053
State Revenue Sharing	25,866	30,769	6,845	63,280
Community Development Block Grant	4,980	-	-	4,980
Charges for Services	4,902	-	-	4,902
Rental	17,403	-	-	17,403
Interest	3,589	1,452	296	5,337
Miscellaneous	237	-	-	237
<b>Total Revenues</b>	<u>151,030</u>	<u>32,221</u>	<u>6,941</u>	<u>190,192</u>
<b>EXPENDITURES:</b>				
<b>CURRENT</b>				
Legislative	1,890	-	-	1,890
Executive	2,850	-	-	2,850
Election	-	-	-	-
General Service Administration	55,540	-	-	55,540
Protective Inspection	4,971	-	-	4,971
Sanitation	17,940	-	-	17,940
Buildings and Grounds	24,955	-	-	24,955
Highways and Streets	389	35,332	6,827	42,548
Capital Outlay	5,474	-	-	5,474
<b>Total Expenditures</b>	<u>114,009</u>	<u>35,332</u>	<u>6,827</u>	<u>156,168</u>
<b>Excess (Deficiency) of Revenues</b>				
Over Expenditures	37,021	(3,111)	114	34,024
<b>Other Financial Sources (Uses):</b>				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and</b>				
<b>Other Sources Over Expenditures</b>				
<b>and Other Uses (Net Change</b>				
<b>in Fund Balance)</b>	37,021	(3,111)	114	34,024
<b>Fund Balances - March 1, 2007 (Unaudited)</b>	<u>86,798</u>	<u>11,026</u>	<u>2,463</u>	<u>100,287</u>
<b>Fund Balances - February 29, 2008</b>	<u>\$ 123,819</u>	<u>\$ 7,915</u>	<u>\$ 2,577</u>	<u>\$ 134,311</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF LEONARD**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

---

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 34,024

Amounts reported for governmental activities  
in the Statement of Net Assets are different because -

Governmental funds report capital outlays as expenditures.  
However, in the Statement of Activities these items are  
capitalized and the costs of those assets are allocated  
over their estimated useful lives as depreciation.

Capitalized assets	\$ 4,950	
Depreciation	<u>(9,718)</u>	
		<u>(4,768)</u>

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 29,256

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF LEONARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2008**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Leonard (the "Village") conform to generally accepted accounting principles (GAAP), as applicable to governmental units. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements. The following is a summary of the significant accounting policies:

The Village adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management Discussion and Analysis. The Village has elected to report all of its funds as major funds in the financial statements.

**A. Reporting Entity**

The Village was incorporated January 10, 1889, and then reincorporated April 27, 1893, under the provisions of Act 62. The Village operates as a Council/President form of government and provides the following services as authorized by its Charter, but not limited to: public safety, highways and streets, planning and zoning, and general administrative services.

The accounting policies of the Village conform to GAAP, as applicable to governments.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Village's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Village's basic financial statements include both the Village's full accrual financial statements and modified accrual financial statements.

Full Accrual Financial Statements

The full financial statements (i.e., the Statement of Net Assets and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Net Assets includes and recognizes all long-term assets and receivables. The Village's net assets are reported in three parts – invested in capital assets, restricted, and unrestricted net assets.

Modified Accrual Financial Statements

The modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$250 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks, and other assets that are immovable and of value only to the government) are capitalized if acquired after March 1, 2004. Depreciation on all assets is provided on the straight-line basis (no depreciation in year of purchase) over the following estimated useful lives:

Building and improvements	15-40 years
Equipment	5-10 years
Office Equipment	5-10 years

D. Budget and Budgetary Accounting

The following procedures are instituted by the Village in establishing the budgetary data reflected in the financial statements:

1. In December, a list of expenses incurred to date is drawn up by the Treasurer.



2. The Village President then utilizes the above-mentioned list to prepare the upcoming budget.
3. At the February meeting, the budget is formally presented to the Council and is then open for a public hearing. After all discussions have been completed, the Council gives approval to the final budget.
4. The budget is legally enacted on a functional activity basis through passage of a resolution and in accordance with Public Act 621 of the State of Michigan.
5. No Village Council member or employee of the Village shall expend any funds or obligate the expenditures of any funds except pursuant to appropriations made by the Village Council and in keeping with the budgetary policy statement hitherto adopted by the Council. Changes in the amount appropriated by the Council shall require approval by the Council.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP.
7. All annual appropriations lapse at fiscal year end.

The budget statement (Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, Major Street Fund, and Local Street Fund) is presented in accordance with GAAP in the United States of America, which is the same basis of accounting used in preparing the adopted budget. The budget has been adopted on a functional activity level; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget, as adopted, is included in the required supplemental information.

There were no significant expenditure budget variances.

#### E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

#### F. Governmental Funds

##### General Fund

This fund is used to account for all financial transactions, except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

##### Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

#### Assets, Liabilities, and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair market value.

#### Interfund Receivables and Payables

Generally, outstanding amounts owed between funds are classified as "due from/to other funds." These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

#### Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

#### Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of July 1. These taxes are due on August 31 with a final collection date of the end of February before they are added to the county tax rolls.

The Village's 2007 tax roll millage rate was 6.000 mills and the taxable value was \$15,445,580.

#### Post-Employment Benefits

The Village provides no post-employment benefits to past employees.

#### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for used for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **(2) CASH AND CASH EQUIVALENTS**

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended), authorizes the local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village has designated one bank for the deposit of the Village's funds. The Village has adopted an investment policy in accordance with Public Act (P.A.) 196 of 1997. The Village has funds invested in bank checking and savings accounts.

The Village's deposits and investments are in accordance with statutory authority.

Michigan law (Section 3, Act 40, P.A. 1932, as amended) prohibits security in the form of collateral, surety bond, or any other form for the deposit of public money.

We estimate that the Federal Deposit Insurance Corporation (FDIC) insures approximately 100% of the Village's deposits. We are unable to be specific due to the complexity of FDIC Regulation Number 330.8. This regulation, in summary, provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 in every financial institution that is not a branch location that is a member of the FDIC in the following deposit accounts:

1. All demand, non-interest bearing accounts (checking) in the name of the authorized or statutory custodian (treasurer) of public funds.
2. All savings deposits, which include regular passbook, daily interest savings and time certificates of deposit in the name of the governmental unit's custodian.
3. The demand and savings accounts, as defined in items 1 and 2 above, for those bank accounts, in the name of a specific fund, when all of the following criteria are applicable:
  - (a) The fund is created by a specific state statute.
  - (b) The functions of the fund are specified by state statute.
  - (c) Money is allocated by state statute for the exclusive use of that fund and statutory function.

	<u>Per Institution</u>	<u>Per Books</u>	<u>Insured FDIC</u>	<u>Not Insured</u>
Oxford Bank:				
General Fund	\$ 76,793	\$ 86,189	\$ 76,793	\$ -
Major Street Fund	10,160	6,880	10,160	-
Local Street Fund	47,898	32,573	47,898	-
	<u>\$ 134,851</u>	<u>\$ 125,642</u>	<u>\$ 134,851</u>	<u>\$ -</u>

In accordance with GASB Statement 3, investments are classified into three categories of credit risk as follows:

- Category 1: Insured or collateralized with securities held by the entity or its agents in the entity's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3: Un-collateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the name of the entity).

**Investment Type:**

	Category		
	(1)	(2)	(3)
Risk - Categorized			
Cash Equivalents	\$ 134,851	\$ -	\$ -
Total Risk - Categorized			
Investments	<u>\$ 134,851</u>	<u>\$ -</u>	<u>\$ -</u>

Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

The captions on the Balance Sheet relating to cash, certificates of deposit, and investments are as follows:

Cash in Bank	\$ 125,642
	<u>\$ 125,642</u>

The above amounts are classified by GASB Statement No. 3 in the following categories:

Summary of  
Specific Accounts:

Checking Account	\$ 125,642
	<u>\$ 125,642</u>

These funds are in one financial institution located in Oakland County. All accounts are in the name of the Village. They are recorded in the Village's records at cost. Interest is recorded when earned.

**(3) RELATED PARTY TRANSACTIONS**

GASB Codification Sec. 2300.107 requires that governmental entities disclose related party transactions. The Financial Accounting Standards Board (FASB) Statement No. 57 defines a related party as:

*...principal owners of the enterprise; its management; members of the immediate family of principal owners of the enterprise and its management; and other parties with which the enterprises may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties may be prevented from fully pursuing its own separate interests. Another party is also related if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.*

Based on the above definition of related parties, the Village had one incidence of a related transaction, as follows:

A. The father of the Clerk sold gravel to the Village. The maximum amount he received was \$455.

**(4) RISK MANAGEMENT**

The Village carries commercial insurance primarily for protection from personal property loss, theft, and personal injury. For the three previous years, commercial insurance claims have not exceeded the amount of coverage as provided for by the policy.

**5) PROPERTY TAXES AND SPECIAL ASSESSMENTS**

Property taxes attach an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable by August 31. The Village bills and collects its own property tax revenues; they are recognized when levied, to the extent that they are measurable and available.

Available means due, or past due and receivable, within the current period and collected within the current period or expected to be collected soon enough to pay (liquidate) current liabilities after year end. The available period might extend beyond the GASB 1 requirement of 60 days because of the length in time required from the time the Village turns its delinquent real property taxes over to the county (March 1) and the time it takes for the county to make its revolving fund payment, usually within 90 days.

As of February 29, 2008, the Village has recorded a delinquent property tax receivable of \$7,716, which is classified as Taxes Receivable within the financial statements. The following is the detail of Taxes Receivable and Deferred Revenue:

	<u>Taxes Receivable</u>	<u>Deferred Revenue</u>
2007 Tax Roll Revolving Payment	\$ 7,262	\$ -
2007 Delinquent Real Property	42	-
2007 Delinquent Personal Property	86	86
2006 Delinquent Personal Property	51	51
2004 Delinquent Personal Property	132	132
2003 Delinquent Personal Property	143	143
	<u>\$ 7,716</u>	<u>\$ 412</u>

**(6) CAPITAL ASSETS**

Capital asset activity for the year ended February 29, 2008 was as follows:

	Balance at 3/1/2007	Additions	Deletions	Balance at 2/29/2008
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$ 19,996	\$ -	\$ -	\$ 19,996
Depreciable Capital Assets:				
Buildings and Improvements	130,678	-	-	\$ 130,678
Machinery and Equipment	85,288	4,950	(5,475)	84,763
Office Equipment	7,436	-	-	7,436
Infrastructure	-	-	-	-
Total Depreciable Capital Assets	223,402	4,950	(5,475)	\$ 222,877
Accumulated Depreciation	(130,575)	(9,718)	5,475	(134,818)
Depreciable Capital Assets, Net	92,827	(4,768)	-	88,059
Governmental Activities, Capital Assets, Net	\$ 112,823	\$ (4,768)	\$ -	\$ 108,055

Depreciation expense was charged to functions as follows:

Governmental Activities:

General Administrative	\$ 211
Buildings and Grounds	9,507
Total Governmental Activities	<u>\$ 9,718</u>

**(7) DEFERRED COMPENSATION PLAN**

The Village does not have a deferred compensation plan.

**(8) PENSION PLAN**

The Village does not have a pension plan.

**(9) EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

Michigan P.A. 2 of 1968, as amended, the "Uniform Accounting and Budgeting Act," provides that a local unit shall not incur expenditures in excess of the amount appropriated (Section 18(1)). In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a line item basis. The approved budget of the Village for this budgetary fund was adopted on the functional activity level.

For the year ended February 29, 2008, the Village did incur expenditures in their budgetary funds that were in excess of the amounts appropriated. The following functional activity level exceeded the Village's amended budget as compared to actual expenditures:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Major Street Fund:			
Snow and Ice Control	\$ 11,555	\$ 12,888	\$ (1,333)
Traffic Services	<u>4,152</u>	<u>4,649</u>	<u>(497)</u>
Total Expenditures	<u>\$ 15,707</u>	<u>\$ 17,537</u>	<u>\$ (1,830)</u>

**(10) DUE FROM STATE**

The Due from State in the Special Revenue Funds of \$3,767 represents Act 51 funds. This amount was deposited in March, 2008.

**(11) ACCOUNTS RECEIVABLE**

The Accounts Receivable were zero at February 29, 2008.

**(12) DUE FROM COUNTY**

The Due From County figure of \$4,980 represents money due from the Community Development Block Grant.

**(13) ITT AUTOMOTIVE PROPERTY TAX PAYABLE**

Due to a Michigan Tax Tribunal decision, the 2002 tax roll personal property for ITT Automotive was overpaid by \$4,870. This amount was paid February 28, 2008, plus interest.

**(14) OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosure, as part of the Combined Statements – Overview, of certain information concerning individual funds, including:

- A. Individual fund Interfund Receivable and Payable balances. Such balances at February 29, 2008, were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Major Street Fund	\$ 15,489	\$ -
Local Street Fund	16,431	-
Special Revenue Funds:		
Major Street Fund:		
General Fund	-	15,489
Local Street Fund	-	11,500
Local Street Fund:		
Major Street Fund	11,500	-
General Fund	<u>-</u>	<u>16,431</u>
	<u>\$ 43,420</u>	<u>\$ 43,420</u>

**(15) NON-COMPLIANCE**

The Village failed to amend their budget when expenditures exceeded budgeted amounts, as discussed in Note (1) D.

**(16) CONCENTRATION OF RISK**

The Village's major sources of revenues are from property taxes, state-shared revenue, and equipment rental from the Street Funds. The Village has one industry that pays about 21% of the property tax revenue. The state of Michigan's economic issues could affect the state-shared revenue and the ability of the Street Fund to pay the equipment rental.

**(17) CABLE FRANCHISE FEE**

The Village has elected to have their share of the cable fees turned over to the Oxford Area Cable Communications Commission. This amount is about \$2,700 a year.



## REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF LEONARD**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED FEBRUARY 29, 2008**

	Original Budget	Final Budget	Actual	Variance With Final Budget - Favorable (Unfavorable)
<b>REVENUES</b>				
Current Taxes	\$ 82,000	\$ 82,000	\$ 92,588	\$ 10,588
Delinquent Taxes	-	-	1,465	1,465
Interest Income	1,400	1,400	3,083	1,683
State Revenue Sharing	22,000	22,000	24,143	2,143
Metro Authority Maintenance	-	-	1,723	1,723
Community Development Block Grant	5,000	5,000	4,980	(20)
Interest on Delinquent Taxes	-	-	506	506
Rental of Equipment	15,000	15,000	17,353	2,353
Hall Rental	500	500	50	(450)
Miscellaneous	2,000	2,000	127	(1,873)
Permits and Fines	6,000	6,000	4,902	(1,098)
Zoning and Bonds	2,000	2,000	-	(2,000)
Franchise Fee	1,000	1,000	-	(1,000)
Refunds and Reimbursements	-	-	110	110
<b>Total Revenues</b>	<b>136,900</b>	<b>136,900</b>	<b>151,030</b>	<b>14,130</b>
<b>EXPENDITURES</b>				
Administrative	81,200	85,771	65,251	20,520
Building and Grounds	34,400	31,659	30,429	1,230
Health and Sanitation	18,000	19,370	17,940	1,430
Other Street Services	5,700	2,500	389	2,111
<b>Total Expenditures</b>	<b>139,300</b>	<b>139,300</b>	<b>114,009</b>	<b>25,291</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Local Street Fund	(5,500)	(5,500)	-	5,500
Transfer to Major Street Fund	(1,000)	(1,000)	-	1,000
<b>Total Other Financing Sources (Uses)</b>	<b>(6,500)</b>	<b>(6,500)</b>	<b>-</b>	<b>6,500</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(8,900)</b>	<b>(8,900)</b>	<b>37,021</b>	<b>45,921</b>
<b>Fund Balance - March 1, 2007 (unaudited)</b>	<b>86,798</b>	<b>86,798</b>	<b>86,798</b>	<b>-</b>
<b>Fund Balance - February 29, 2008</b>	<b>\$ 77,898</b>	<b>\$ 77,898</b>	<b>\$ 123,819</b>	<b>\$ 45,921</b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF LEONARD**  
**GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT - COMPARED TO BUDGET**  
**YEAR ENDED FEBRUARY 29, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
<b>ADMINISTRATIVE</b>				
Wages and Per Diem				
President	\$ 2,900	\$ 4,000	\$ 2,850	\$ 1,150
Clerk	2,900	4,000	2,850	1,150
Treasurer	2,900	4,000	2,850	1,150
Trustees	2,500	1,900	1,890	10
Inspectors	6,000	5,500	4,971	529
Administrative Assistant	7,500	8,700	8,415	285
Clerk Expenses	500	1,500	1,480	20
Employer Payroll Taxes	4,500	2,545	2,074	471
Treasurer Expenses	400	655	655	-
Telephone - Clerk	1,500	1,200	1,103	97
Auditor	5,000	3,169	-	3,169
Mileage	500	500	475	25
Legal	5,000	8,000	7,458	542
Election Expenses	1,000	100	-	100
Printing and Publishing	300	470	469	1
Interest Expense - Taxes	-	-	87	(87)
Dues, Memberships, and Seminars	500	580	680	(100)
Zoning Expenses	300	50	-	50
Planning Commission	2,500	1,000	765	235
Refunds and Reimbursements	2,000	2,000	-	2,000
Insurance and Bonds	19,000	18,400	17,809	591
Decorating Committee	1,500	1,930	1,927	3
Miscellaneous	100	3,700	16	3,684
Taxes Refunded	-	-	317	(317)
Custodian and Opening/Closing Fees	1,400	1,250	1,130	120
Community Development Block Grant	5,000	5,000	4,980	20
ITT Automotive Repayment	<u>5,500</u>	<u>5,622</u>	<u>-</u>	<u>5,622</u>
<b>Total Administrative</b>	<u>\$ 81,200</u>	<u>\$ 85,771</u>	<u>\$ 65,251</u>	<u>\$ 20,520</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF LEONARD**  
**GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT - COMPARED TO BUDGET**  
**YEAR ENDED FEBRUARY 29, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget - Favorable (Unfavorable)</b>
<b>BUILDING AND GROUNDS</b>				
Utilities	\$ 8,500	\$ 9,259	\$ 9,215	\$ 44
Equipment Maintenance	8,000	5,490	5,248	242
Garage Maintenance and Pole Barn	700	1,700	1,514	186
Gasoline, Oil, Diesel, and Grease	1,500	2,900	2,751	149
New Equipment	6,000	5,500	5,474	26
Hall Expenses	2,500	3,110	3,099	11
General Labor	5,000	2,000	1,638	362
Alley Upkeep	200	100	9	91
Village Park	-	300	300	-
Fire Hall Annex Building	2,000	1,300	1,181	119
<b>Total Building and Grounds</b>	<b>\$ 34,400</b>	<b>\$ 31,659</b>	<b>\$ 30,429</b>	<b>\$ 1,230</b>
<b>HEALTH AND SANITATION</b>				
Contracted Services	\$ 18,000	\$ 19,370	\$ 17,940	\$ 1,430
<b>OTHER STREET SERVICES</b>				
Road Salt	\$ 500	\$ 1,200	\$ -	\$ 1,200
Drain - Labor and Materials	2,500	150	89	61
Ramps - Labor and Materials	500	100	-	100
Storm Clean Up	1,000	450	300	150
Sand and Gravel	1,200	600	-	600
<b>Total Other Street Services</b>	<b>\$ 5,700</b>	<b>\$ 2,500</b>	<b>\$ 389</b>	<b>\$ 2,111</b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF LEONARD**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND**  
**YEAR ENDED FEBRUARY 29, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State of Michigan - Act 51	\$ 32,400	\$ 32,400	\$ 30,769	\$ (1,631)
Interest Income	300	300	1,452	1,152
<b>Total Revenues</b>	<u>32,700</u>	<u>32,700</u>	<u>32,221</u>	<u>(479)</u>
<b>EXPENDITURES</b>				
Administrative Costs	2,850	2,850	2,850	-
Routine Maintenance	11,825	15,143	14,945	198
Snow and Ice Control	14,873	11,555	12,888	(1,333)
Traffic Services	4,152	4,152	4,649	(497)
<b>Total Expenditures</b>	<u>33,700</u>	<u>33,700</u>	<u>35,332</u>	<u>(1,632)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from General Fund	1,000	1,000	-	(1,000)
Transfer to Local Street Fund	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	-	-	(3,111)	(3,111)
<b>FUND BALANCE - March 1, 2007 (Unaudited)</b>	<u>11,026</u>	<u>11,026</u>	<u>11,026</u>	<u>-</u>
<b>FUND BALANCE - February 29, 2008</b>	<u>\$ 11,026</u>	<u>\$ 11,026</u>	<u>\$ 7,915</u>	<u>\$ (3,111)</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF LEONARD**  
**MAJOR STREET FUND EXPENDITURES BY DETAILED ACCOUNT - COMPARED TO BUDGET**  
**YEAR ENDED FEBRUARY 29, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
<b>EXPENDITURES</b>				
<b><u>Administrative Costs</u></b>	<u>\$ 2,850</u>	<u>\$ 2,850</u>	<u>\$ 2,850</u>	<u>\$ -</u>
<b><u>Routine Maintenance</u></b>				
Labor	\$ 2,800	\$ 2,400	\$ 2,262	\$ 138
Grading	100	50	44	6
Ditches and Drains	4,100	4,000	3,961	39
Materials	700	450	471	(21)
Road Repair	1,000	850	821	29
Telephone	50	50	-	50
Equipment Rental	2,000	6,400	6,304	96
Utilities	300	250	229	21
Sidewalk - Non-Motorized	400	300	222	78
Payroll Taxes and W/C Insurance	375	375	613	(238)
Miscellaneous	-	18	18	-
<b>Total Routine Maintenance</b>	<u>\$ 11,825</u>	<u>\$ 15,143</u>	<u>\$ 14,945</u>	<u>\$ 198</u>
<b><u>Snow and Ice Control</u></b>				
Labor	\$ 2,798	\$ 2,050	\$ 1,920	\$ 130
Materials	2,500	1,630	3,307	(1,677)
Equipment Rental	9,200	7,500	7,408	92
Payroll Taxes and W/C Insurance	375	375	253	122
<b>Total Snow and Ice Control</b>	<u>\$ 14,873</u>	<u>\$ 11,555</u>	<u>\$ 12,888</u>	<u>(1,333)</u>
<b><u>Traffic Services</u></b>				
Labor	\$ -	\$ -	\$ 8	\$ (8)
Safety Equipment (Signs)	350	350	330	20
Pavement Marking	3,602	3,602	4,137	(535)
Utilities	50	50	36	14
Materials	150	150	138	12
<b>Total Traffic Services</b>	<u>\$ 4,152</u>	<u>\$ 4,152</u>	<u>\$ 4,649</u>	<u>\$ (497)</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF LEONARD**  
**BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND**  
**YEAR ENDED FEBRUARY 29, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State of Michigan - Act 51	\$ 5,600	\$ 5,600	\$ 6,645	\$ 1,045
Interest Income	200	200	296	96
<b>Total Revenues</b>	<u>5,800</u>	<u>5,800</u>	<u>6,941</u>	<u>1,141</u>
<b>EXPENDITURES</b>				
<b><u>Administrative Costs</u></b>	<u>600</u>	<u>600</u>	<u>600</u>	<u>-</u>
<b><u>Routine Maintenance</u></b>				
Labor	850	850	624	226
Grading	1,000	900	233	667
Ditches and Drains	500	500	34	466
Materials	1,000	1,000	-	1,000
Dust Control	1,600	1,600	689	911
Equipment Rental	2,000	2,000	1,980	20
Payroll Taxes and W/C Insurance	125	125	140	(15)
<b>Total Routine Maintenance</b>	<u>7,075</u>	<u>6,975</u>	<u>3,700</u>	<u>3,275</u>
<b><u>Snow and Ice Control</u></b>				
Labor	1,100	1,100	504	596
Materials	300	300	107	193
Equipment Rental	2,000	2,000	1,661	339
Payroll Taxes and W/C Insurance	125	125	75	50
<b>Total Snow and Ice Control</b>	<u>3,525</u>	<u>3,525</u>	<u>2,347</u>	<u>1,178</u>
<b><u>Traffic Services</u></b>				
Safety Equipment (Signs)	100	200	180	20
<b>Total Expenditures</b>	<u>\$ 11,300</u>	<u>\$ 11,300</u>	<u>\$ 6,827</u>	<u>\$ 4,473</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LEONARD

BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND

YEAR ENDED FEBRUARY 29, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from General Fund	\$ 5,500	\$ 5,500	\$ -	\$ (5,500)
Transfer from Major Street Fund	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>5,500</u>	<u>5,500</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	-	-	114	114
<b>FUND BALANCE - March 1, 2007 (Unaudited)</b>	<u>2,463</u>	<u>2,463</u>	<u>2,463</u>	<u>-</u>
<b>FUND BALANCE - February 29, 2008</b>	<u>\$ 2,463</u>	<u>\$ 2,463</u>	<u>\$ 2,577</u>	<u>\$ 114</u>

The accompanying notes are an integral part of the financial statements.



## OTHER SUPPORTING INFORMATION

**VILLAGE OF LEONARD**  
**COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS**  
**FEBRUARY 29, 2008**

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Totals (Memorandum Only)</u>
<b>ASSETS</b>			
Cash in Bank - Checking	\$ 32,573	\$ 6,880	\$ 39,453
Accounts Receivable	-	-	-
Due from Major Street Fund	-	11,500	11,500
Due from State of Michigan	<u>3,098</u>	<u>669</u>	<u>3,767</u>
<b>Total Assets</b>	<u><u>\$ 35,671</u></u>	<u><u>\$ 19,049</u></u>	<u><u>\$ 54,720</u></u>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts Payable	\$ 767	\$ 41	\$ 808
Due to General Fund	15,489	16,431	31,920
Due to Local Street Fund	11,500	-	11,500
Fund Balance	<u>7,915</u>	<u>2,577</u>	<u>10,492</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 35,671</u></u>	<u><u>\$ 19,049</u></u>	<u><u>\$ 54,720</u></u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF LEONARD  
SPECIAL REVENUE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FISCAL YEAR ENDED FEBRUARY 29, 2008**

	<b>Major Street Fund</b>	<b>Local Street Fund</b>	<b>Totals (Memorandum Only)</b>
<b>REVENUES</b>			
State Grants	\$ 30,769	\$ 6,645	\$ 37,414
Interest Income	1,452	296	1,748
<b>Total Revenues</b>	<u>32,221</u>	<u>6,941</u>	<u>39,162</u>
<b>EXPENDITURES</b>			
Administrative Costs	2,850	600	3,450
Routine Maintenance	14,945	3,700	18,645
Snow and Ice Control	12,888	2,347	15,235
Traffic Services	4,649	180	4,829
<b>Total Expenditures</b>	<u>35,332</u>	<u>6,827</u>	<u>42,159</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Other Transfers In	-	-	-
Other Transfers Out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	(3,111)	114	(2,997)
<b>FUND BALANCE - March 1, 2007 (Unaudited)</b>	<u>11,026</u>	<u>2,463</u>	<u>13,489</u>
<b>FUND BALANCE - February 29, 2008</b>	<u><u>\$ 7,915</u></u>	<u><u>\$ 2,577</u></u>	<u><u>\$ 10,492</u></u>

The accompanying notes are an integral part of the financial statements.



**MICHAEL H. DeVRIES**

CERTIFIED PUBLIC ACCOUNTANT

837 S. Lapeer Rd., Suite 206

Oxford, Michigan 48371

Telephone 248.628.9200

Fax 248.628.6107

February 6, 2009

Management and the Village Council  
Village of Leonard  
P. O. Box 789  
Leonard, Michigan 48367

Dear Management and Village Council:

We have completed our audit of the financial statements of the Village of Leonard (the "Village") as of and for the year ended February 29, 2008 and have issued our report dated February 6, 2009. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

- A. Report on Internal Control
- B. Results of the Audit
- C. Findings and Comments

We discussed these matters with various personnel in the Village and have already met with management during the audit. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of the Village's management and are not intended to be and should not be used by anyone other than the specified parties.

Sincerely yours,

Michael H. DeVries

Certified Public Accountant

MHD/mmh  
Enclosures

MEMBER

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS



**MICHAEL H. DeVRIES**

CERTIFIED PUBLIC ACCOUNTANT

837 S. Lapeer Rd., Suite 206

Oxford, Michigan 48371

Telephone 248.628.9200

Fax 248.628.6107

Report on Internal Control

To the Village Council  
Village of Leonard

Dear Village Members:

Beginning with 2006 year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Village of Leonard's (the "Village") financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Village as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect

MEMBER

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

To the Village Council  
Village of Leonard

misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the significant deficiencies noted below are technically material weaknesses.

1. Accounting Expertise

Effective for the year ended December 31, 2006, Statement on Auditing Standards #112 titled, *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the financial statements and the footnotes required in the annual audit. Based upon discussions with management and audit work performed in the current year, the Village has the capability to perform monthly internal accounting functions and provide timely reports as requested by the Council. The Village does not have the personnel with qualifications and training necessary to generate consolidated financial statements, including the required eliminating entries and footnotes, in accordance with accounting principles generally accepted in the United States of America. We would expect this comment to continue from year to year. We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

2. Documentation of Internal Controls

As part of our audit planning procedure, we are required to obtain an understanding of internal control of the Village. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that the Village completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should

To the Village Council  
Village of Leonard

not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in this procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

This communication is intended solely for the information and use of management, the Village Council, and others within the Village and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely yours,

A handwritten signature in cursive script, reading "Michael H. DeVries".

Michael H. DeVries  
Certified Public Accountant

MHD/mmh



## MICHAEL H. DeVRIES

CERTIFIED PUBLIC ACCOUNTANT

837 S. Lapeer Rd., Suite 206

Oxford, Michigan 48371

Telephone 248.628.9200

Fax 248.628.6107

February 6, 2009

To the Village Council  
Village of Leonard  
P. O. Box 789  
Leonard, Michigan 48367

We have audited the financial statements of the Village of Leonard (the "Village") for the year ended February 29, 2008 and have issued our report thereon dated February 6, 2009. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 29, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Village. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated July 29, 2008.

MEMBER

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS



### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive estimate affecting the financial statements was the useful lives of capital assets.

Useful lives of capital assets are based upon management's estimate of their life. We evaluated the key factors and assumptions used to develop the estimate of the useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

*Disagreements With Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 6, 2009.

*Management Consultations With Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

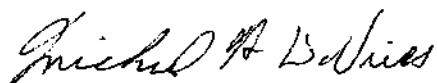
*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

To the Village Council  
Village of Leonard  
Page Four

This information is intended solely for the use of the Village Council and the management of the Village and is not intended to be and should not be used by anyone other than these specific parties.

Sincerely yours,

A handwritten signature in cursive script that reads "Michael H. DeVries".

Michael H. DeVries  
Certified Public Accountant

MHD/mmh



## MICHAEL H. DeVRIES

CERTIFIED PUBLIC ACCOUNTANT

837 S. Lapeer Rd., Suite 206

Oxford, Michigan 48371

Telephone 248.628.9200

Fax 248.628.6107

February 6, 2009

To the Village Council  
Village of Leonard  
Oakland County, Michigan

We have examined the accounts and records of the Village of Leonard (the "Village") for the year ended February 29, 2008, and have reported our findings to you under separate cover. The accounts and records were found to be in good order, except for the following items:

1. Pursuant to P.A. 2 of 1968, as amended, also known as the "*Uniform Budgeting and Accounting Act*," expenditures shall not be incurred in excess of the amount appropriated. Therefore, when the Village exceeds their budgeted line item amounts, the respective budgeted line item amounts should be revised accordingly and the changes should be recorded in the minutes.
2. The interfund receivables and payables at February 29, 2008 should be resolved. Major Street fund owes the General Fund \$15,488.70. Major Street Fund owes the Local Street Fund \$11,500.00. Local Street Fund owes the General Fund \$16,431.11.
3. In order to comply with Act 51 funding requirements, the Village must have expenditures for non-motorized improvements.
4. The Village should consider registering with the state of Michigan to obtain a payroll state withholding identification number and a Michigan Unemployment Insurance Agency number.
5. By Council resolution, the Village should make a transfer from the General Fund to eliminate any deficit in the Major or Local Street Funds due to equipment rental charges.
6. Delinquent personal property taxes turned over to the county for collection should be reviewed annually.
7. By Council resolution, the Village is able to transfer up to 50% of Major Street funding to the Local Street Fund.
8. Accounts receivable and reimbursement requests should be followed up periodically to see that the funds were received.

MEMBER

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

9. The Village Council should consider having an expiration date on bonds and permits.
10. Comment numbers 1,2,3,4,5,6,7, and 8 were mentioned in the prior year's audit report.  
Comment numbers 2,3,4,5,6,7,8 and 9 are not reportable conditions but are included as a reminder to consider.

We acknowledge with appreciation the cooperation we received from your Village Council and staff and note that nothing came to our attention in the course of our tests and reviews, in connection with any report on the financial statements, to indicate any improper, illegal, or other action, except as stated.

Sincerely,



Michael H. DeVries  
Certified Public Accountant

MHD/mmh